

## Abstract

This study reviews the challenges faced by family-owned small- and medium-scale enterprises (SMEs) in an increasingly global economy. It is acknowledged that family SMEs constitute a large segment of all companies in the Malaysian corporate sector. Malaysia's economic development is therefore largely dependent on the entrepreneurial capacity of family firms in an increasingly global marketplace. This study analytically and empirically reviews family SMEs to increase our understanding of the core issues surrounding the growth of such enterprises. The primary focus of this study is the development of tacit knowledge through innovation among family SMEs following one or more generational changes, with specific attention given to plastic and food production as comparative longitudinal case studies. This study appraises the impact of generational change by tracing the changes that occur when new generation of family business owners attempt to build on the tacit knowledge of the founders by expanding the range and quality of products produced. This study will assess second-generation and third-generation family firms in terms of the 3Ms, a concept developed by the business historian Alfred Chandler Jr., which refers to a company's capacity to develop its manufacturing, management and marketing potential. This study reviews how different generations in small, medium and large-scale family SMEs with inherently different management activities, styles and characteristics innovate. This study also reviews how different generations of family SMEs develop and codify tacit knowledge, adopting modern or more professionalized management that nurtures innovation and entrepreneurial dynamism. This study concludes with a set of policy recommendations that could serve to facilitate enterprise development of family SMEs in Malaysia.

## Abstrak

Kajian ini merupakan satu penyelidikan untuk mengetahui cabaran-cabaran yang dihadapi oleh perusahaan kecil dan sederhana milik keluarga (PKS) dalam dunia globalisasi. Kajian ini mengkaji cabaran-cabaran yang dihadapi oleh perusahaan-perusahaan kecil dan sederhana milik keluarga (PKS), *family SMEs* dalam dunia globalisasi. Telah terbukti bahawa PKS keluarga merangkumi segmen besar dalam sektor korporat di Malaysia. Pembangunan ekonomi Malaysia oleh itu adalah amat bergantung kepada keupayaan firma milik keluarga untuk meningkatkan tahap keusahawaan dalam pasaran dunia. Kajian ini secara menyeluruh mengkaji tentang PKS milik keluarga untuk meningkatkan pemahaman tentang isu-isu teras sekitar perkembangannya. Fokus utama kajian ini adalah kepada pembangunan pengetahuan tersirat melalui inovasi dalam kalangan PKS milik keluarga yang telah melalui satu atau lebih perubahan generasi; dengan perhatian khusus diberikan kepada perusahaan dalam pengeluaran makanan. Kajian ini mengesan nilai perubahan dalam perkembangan firma PKS milik keluarga apabila generasi muda cuba memperluaskan rangkaian perniagaan dalam pemprosesan produk berkualiti berasaskan pengetahuan tersirat, *tacit knowledge* dimiliki oleh generasi terdahulu, terutamanya pengasas firma PKS milik keluarga. Kajian ini akan menilai firma PKS milik keluarga generasi kedua dan generasi ketiga dari segi 3M, satu konsep yang dibangunkan oleh ahli akademik pakar sejarah perniagaan, Alfred Chandler Jr. yang merujuk kepada keupayaan pengembangan dalam sesebuah firma bergantung kepada kapasiti pembangunan dalam pengeluaran, pengurusan dan pemasaran. Kajian ini juga menyelidik perbezaan generasi yang memilik PKS milik keluarga antara kecil, sederhana dan besar berdasarkan ciri-ciri pengurusan, pemikiran dan gaya organisasi dalam isu inovasi.

Kajian ini juga menyelidik sejauh manakah generasi dulu dan sekarang di dalam PKS milik keluarga berusaha memperbaharui ilmu pengetahuan tersirat yang dimiliki secara turun-temurun, mengamalkan pengurusan modern lagi canggih untuk meningkatkan tahap inovasi dan memupuk sikap keusahawanan dalam pembangunan sektor baru. Secara tuntasnya, kajian ini juga menyelidik sejauh manakah pembaharuan dasar polisi baru, yang dicadangkan boleh mengembangkan pembangunan PKS milik keluarga di Malaysia.

**Dedicated to:**

**My beloved parents K.S.Lee & Chong Siew Thai, K.H.Lim & Khaw Poh Kwooi**

**My understanding wife Lim Joan Ann**

**My lovely daughter Lee Min Wei**

**My respected supervisor Prof Edmund Terence Gomez**

**You are my greatest motivation**

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## List of Abbreviation

<b>3Ms</b>	Marketing, Management and Manufacturing
<b>ABS</b>	Acrylonitrile Butadiene Styrene
<b>AFTA</b>	ASEAN Free Trade Area
<b>CE</b>	Conformité Européene
<b>CEO</b>	Chief Executive Officer
<b>COO</b>	Chief Operating Officer
<b>E&amp;E</b>	Electronic and Electrical
<b>EOI</b>	Export Oriented Industrialization
<b>EYS</b>	Eu Yan Sang
<b>FDI/DFI</b>	Foreign Direct Investment
<b>GMP</b>	Good Manufacturing Practice
<b>GSP</b>	Global Supplier Program
<b>HACCP</b>	Hazard Analysis and Critical Control Points
<b>HDPE</b>	High Density Polyethylene
<b>HICOM</b>	Heavy Industries Corporation of Malaysia
<b>IDR</b>	Iskandar Development Region
<b>IM</b>	Iskandar Malaysia
<b>IMP3</b>	Third Industrial Master Plan
<b>INC</b>	Incorporation (businesses)
<b>IR</b>	Ingénieur
<b>ISI</b>	Import Substitution Industrialization
<b>ISP</b>	Industrial Supplier Program
<b>IT</b>	Information Technology
<b>KLT</b>	Kam Lun Tai
<b>LMW</b>	License Manufacturing Warehouse
<b>LONBISCO</b>	London Biscuit
<b>MBA</b>	Master of Business Administration
<b>MIMOS</b>	Malaysian Institute of Micro Electric
<b>MITI</b>	Ministry of International Trade and Industry
<b>MNC</b>	Multinational Corporations
<b>NDP</b>	New Development Policy
<b>NEP</b>	New Economic Policy

<b>OEM</b>	Original Equipment Manufacturing
<b>PUI</b>	Perceived Usefulness of Innovation
<b>PVC</b>	Polyvinyl Chloride
<b>R&amp;D</b>	Research and Development
<b>SIRIM</b>	Standard and Industrial Research Institute of Malaysia
<b>SKP</b>	Sin Kwang Plastic
<b>SMEs</b>	Small and Medium Enterprises
<b>SMIDEC</b>	Small and Medium Industries Development Corporation
<b>SMP</b>	Second Industrial Master Plan
<b>SSM</b>	Companies Commission of Malaysia
<b>TCM</b>	Traditional Chinese Medicine
<b>TFMS</b>	Tesco Food Manufacturing Standard
<b>TPC</b>	Teck Ping Chan
<b>UAE</b>	United Arab Emirates
<b>UK</b>	United Kingdom
<b>UL</b>	Underwriters Laboratories
<b>UPVC</b>	Unplasticized Polyvinyl Chloride
<b>USA</b>	United State of America
<b>WTO</b>	World Trade Organization